



Quick Start
Disaster Recovery
Program
(Red River Valley)

May 2009

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This information will be made available in alternative format upon request.

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Introduction

Mission Statement

Minnesota Housing finances and advances affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities.

Procedural Manual

This Procedural Manual sets forth for Administrators the terms and conditions under which Minnesota Housing will purchase loans originated under its Quick Start Disaster Recovery Program (Quick Start) and is a supplement to the Minnesota Housing Finance Agency Participation Agreement for the Rehabilitation Loan Program (Participation Agreement) executed by the Program Administrator and Minnesota Housing, as amended. It is incorporated into the Participation Agreement by reference and is part of the Participation Agreement as if it is set forth in the Participation Agreement.

Quick Start Disaster Recovery Program (Quick Start)

The Quick Start program provides state financial assistance to individuals whose residence or rental property sustained damage as a result of the flood that occurred on or after March 16, 2009 as designated under Presidential Individual Assistance Declaration, DR-1830, that is not fully covered by FEMA, SBA or hazard/flood insurance proceeds.

State assistance is provided in the form of an interest free, non-amortizing, forgivable loan (after 10 years from the date of the note) under the conditions defined in Section 4.06)

Chapter 1 – Partner Responsibilities/Warranties

1.01 Procedural Manual

This Procedural Manual, including subsequent changes and additions, sets forth the terms and conditions under which Minnesota Housing will purchase loans under Quick Start. It is a supplement to the Minnesota Housing Participation Agreement for the Rehabilitation Loan Program (Participation Agreement) executed between Administrators and Minnesota Housing, as amended. It is incorporated into such Participation Agreement by reference and is a part thereof as fully as if set forth in such Participation Agreement at length.

Minnesota Housing reserves the right to:

- Alter or waive any of the requirements herein,
- Impose other and additional requirements, and
- Rescind or amend any or all materials effective as of the date of issue unless otherwise stated.

Minnesota Housing is under no obligation to purchase any loan or retain ownership of a loan that does not comply fully with this Procedural Manual. Minnesota Housing grants waivers, alterations, or revisions at its sole discretion.

1.02 Evidence of Misconduct Referred to Attorney General

- Minnesota Housing will refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the program to the Minnesota Attorney General's office for appropriate legal action.
- If, after a loan is made, an Administrator discovers any material misstatements or misuse of the proceeds of the loan by the Borrower or others, the Administrator shall promptly report such discovery to Minnesota Housing.
- Minnesota Housing may exercise all remedies available to it, both legal and equitable, to recover funds from the Administrator and/or the Borrower. This includes loan funds, together with all applicable administrative costs and other fees or commissions received by the Administrator in connection with the loan and for all attorney fees, legal expenses, court costs or other expenses incurred by Minnesota Housing in connection with the loan or recovery thereof.

1.03 Disclosure and Use of Social Security Numbers

The Minnesota Revenue Recapture Act of 1980 (Minnesota Statutes Chapter 270A) and Minnesota Statutes Section 270C.65 allows the disclosure of the Borrower's Social Security Number or Minnesota Tax Identification Number to the Minnesota Department of Revenue. This could result in the application of state tax refunds to the payment of any delinquent indebtedness of the Borrower to Minnesota Housing.

1.04 Unauthorized Compensation

Administrator may receive fees approved in this Procedural Manual. However, Administrator shall not receive or demand from builder, remodeler, contractor, supplier, Borrower:

- Kickbacks, rebates or discounts; or
- Commissions; or
- Other compensation.

1.05 Minnesota Housing Due Diligence Audit Guidelines and Requirements

The Administrator is required to keep on file a complete copy of documents for each loan originated for purchase by Minnesota Housing. A loan file may be requested to be made available to Minnesota Housing at the Administrator's office during regular business hours or forwarded to Minnesota Housing for review. Loan audits will include, but are not limited to, a minimum of 10% of all loans purchased.

Audited loans are reviewed for:

- Minnesota Housing program/policy compliance;
- Fraud or misrepresentation on the part of any party involved in the transaction.

1.06 Termination of Administrator Participation

Minnesota Housing may terminate the participation of any Administrator under this Procedural Manual at any time and may preclude Administrator's future eligibility for reasons including, but not limited to, noncompliance with:

- This Procedural Manual;
- The Participation Agreement;
- The Federal Fair Housing Law and/or the Equal Credit Opportunity Act;
- Any federal or state laws or Acts that protect the Borrower's rights with regard to obtaining financing for home improvements or home purchase as may be applicable; and
- Other applicable state and federal laws, rules and regulations.

Upon termination of an Administrator's contract, Minnesota Housing will continue to purchase eligible loans for which a commitment has already been issued until the commitment expiration date.

Minnesota Housing may, at its option, impose remedies other than termination of the contract for Administrator nonperformance.

Administrator may request reinstatement into Minnesota Housing programs. The decision whether or not to reinstate an Administrator shall be at Minnesota Housing's sole discretion.

1.07 Representations and Warranties

The Administrator agrees to comply with all applicable federal, state, and local laws, ordinances, regulations and orders including, but not limited to, the following:

- Title VI of the Civil Rights Act of 1964;
- Title VII of the Civil Rights Act of 1968, as amended by the Housing and Community Development Act of 1974;
- Section 527 of the National Housing Act;
- The Equal Credit Opportunity Act;
- The Fair Credit Reporting Act and any applicable regulations and orders thereunder;
- Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on 11/20/62;
- Federal Fair Housing Law (Title VIII);
- Minnesota Human Rights Act (Minnesota Statutes Chapter 363A);
- Data Privacy - Minnesota Statutes Chapter 13 and Minnesota Statutes Section 462A.065;
- Minnesota Rules 4900.3646 and 4900.3652¹
- Americans with Disabilities Act, 42 U.S.C.A. Section 12101 et. seq.; and
- Real Estate Settlement Procedures Act of 1974.

In addition to the above warranties and representations, Administrator also warrants and represents that it:

- Will fully comply with all terms and conditions in the Participation Agreement and this Procedural Manual for each loan processed and closed unless prior written approval is obtained from Minnesota Housing;
- Is a legally constituted public or governmental agency, or nonprofit corporation or entity;
- Meets all requirements of state and federal law to originate and sell loans under the Participation Agreement and this Procedural Manual.
- Will maintain adequate capital and trained personnel for the administration of the program;
- Will maintain adequate insurance on its employees in the form of a Fidelity and Forgery Bond and supply written proof of this coverage to Minnesota Housing;
- Has an Affirmative Action Plan approved by the Minnesota Department of Human Rights with a current Certificate of Compliance, if it has more than 20 employees;
- And that on the date each loan was closed:
 - No payment, fee or remuneration of any type has been solicited or received by Administrator from any Borrower or contractor; and
 - The Administrator has closed the loan in accordance with the instructions provided in this Procedural Manual.

¹ Rents must be affordable to the local work force. Affordable Rent and Wage guidelines are available on Minnesota Housing's website.

1.08 Administrator Compensation

Administrator is compensated for each loan purchased by Minnesota Housing as follows:

- Administrative fee of \$700 per loan; disbursed in the following manner:
 - \$500 at commitment issuance
 - \$200 at purchase approval.
 - The Administrator may invoice Minnesota Housing an additional fee of \$350 if the Administrator is required to conduct a property assessment.

1.09 Selection of Contractors

- Administrator must permit Borrower to choose vendors/contractor(s). If an Institutional Community Work Crew or a Sentence to Serve Work Crew completes rehabilitation or construction on an eligible owner-occupied or rental property, the Administrator must fully disclose the work crew's procedural requirements and receive the Borrower's written permission.

Chapter 2 - Borrower Eligibility Requirements

2.01 Borrower

One individual or multiple individuals, including owners of single family rental units, are eligible to be a Borrower(s) only if such individual or individuals meet the requirements of this Procedural Manual.

2.02 Borrower Age

Borrower must be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction.

2.03 Co-Signers

Co-signers are not allowed on Quick Start Disaster Recovery Program loans.

2.04 Unauthorized Compensation

Borrower shall not receive kickbacks, rebates, discounts, and/or compensation from any party to the transaction.

2.05 Ownership Interest

A Borrower and Accommodation Parties, individually or in the aggregate, must have 100% ownership interest in the residence to be rehabilitated or replaced.

Eligible forms of ownership interest include the following:

- A fee simple estate;
- A leasehold estate; or
- A leasehold estate subject to a Community Land Trust.

Title may be held in the following ways:

- Individual, joint tenancy, a tenancy-in-common, or tenancy by the entirety;
- Vendee interest in a recorded contract-for-deed; or
- A recorded life estate, excluding Remaindermen.

Note: Property held in trust is not eligible for a Quick Start loan.

2.06 Occupancy Requirements

Owner-Occupied Properties

Borrower(s) rehabilitating an existing home must have occupied the property as their principal place of residence prior to the disaster and must occupy the property as their principal place of residence upon completion of repairs.

Borrowers replacing an owner occupied property must have occupied the property being replaced as their principal place of residence and must occupy the completed replacement dwelling as their principal place of residence.

Note: There are no owner-occupancy requirements for Borrowers financing rehabilitation of a single family rental property.

2.07 Minnesota Housing Program Eligibility Income

Gross annual household income is the gross annual household income of all residents age 18 and over of the Borrower's household, from whatever source derived (with the exception of incidental income from after school employment of persons under 18 years of age) and before taxes or withholding. **There is no income limit for this program.**

2.08 Other Requirements

If the Federal Emergency Management Agency (FEMA) and/or the Small Business Administration (SBA) are involved in providing financing/grants for disaster recovery, the borrower must:

- Have applied for and either received or have a firm commitment for the receipt of the maximum assistance for which they are eligible from FEMA; and,
 - Had an SBA loan application declined for reasons including but not limited to the following:
 - summary declination; or,
 - failed income test; or,
 - Have been approved for a limited loan from SBA; and,
 - Have documented property capital improvement or replacement costs not fully covered by hazard/flood insurance proceeds, FEMA and SBA (e.g.: bids, receipts, insurance adjustor's estimate, etc.); or,
 - Have a documented request for a modified loan amount from SBA in the event of an increase in repair costs, that exceeds the original SBA amount; and,
 - Have a document stating SBA's action on the request for the modified loan amount; and,
 - Have applied for Quick Start loan no later than 60 days after FEMA and SBA application deadlines.

Note: If FEMA and/or SBA are not involved, borrowers must have applied for a Quick Start Loan by the application deadline published on Minnesota Housing's website.

- Borrower(s) may not:
 - Have more than one Quick Start Loan;
 - Have a Quick Start Loan if he/she has received a buyout or mitigation funded in part by Minnesota Housing;
 - Have a Quick Start loan to rehabilitate/replace a property on an alternate site if the SBA has not approved the change in the use of SBA assistance.

2.09 Separated Spouses

When the Administrator establishes that a spouse permanently resides outside of the household, that separated spouse may be excluded from signing the Quick Start loan application and note, but must sign the mortgage.

Examples of separated spouse documentation include:

- Legal separation documentation
- Proof of initiated divorce proceedings.
- Verification of separate Principal Residence and absence of joint accounts.

2.10 Loans to Employees and Affiliated Parties

Administrator may make Minnesota Housing loans to their directors, officers, employees and/or their families as well as to builders, Realtors and/or their families, and any other principal with whom the Administrator does business. Minnesota Housing employees and/or their families are eligible subject to approval by the Minnesota Housing Board of Directors. The Borrower must satisfy all eligibility criteria for the program.

Chapter 3 - Property Eligibility

3.01 Eligible Properties

In order to qualify as an eligible property for a Minnesota Housing Quick Start loan, the residence must be:

- Located in the State of Minnesota in the area covered by Presidential Individual Assistance Declaration, DR-1830; and
- A 1 – 4 family residential property, which may include:
 - A single family detached home;
 - A duplex, (rehabilitation only);
 - A triplex, (rehabilitation only);
 - A fourplex² (rehabilitation only);
 - A twin home;
 - An eligible unit in a Planned Unit Development (PUD);
 - A unit of a condominium³;
 - A town home; or
 - A manufactured home on permanent foundation (single or double wide); or
- A manufactured home in a manufactured home park.

Note: Duplexes Triplexes and Fourplexes while eligible for property rehabilitation may not be purchased or constructed as replacement homes under this program.

3.02 Ineligible Properties

Properties ineligible for financing are as follows:

- Recreational/seasonal home;
- Property held in trust;
- A property primarily used for business (more than 50% of the floor space is used for business)⁴;
- Any property which already has a Quick Start loan; and,
- Any property purchased or constructed to replace a destroyed or damaged single family rental property.

3.03 Local Ordinances and Plans

Property improvements must conform to all applicable zoning ordinances and all appropriate use permits must be obtained.

² The Borrower must occupy one unit of the duplex, triplex or fourplex.

³ If the property is a condominium or town home, only the portion of the real estate owned by the Borrower is eligible. Common areas owned by the association are not eligible.

⁴ A rental property does not constitute a property primarily used for business under this program.

Chapter 4 – Loan Eligibility

4.01 Eligible Loans

Minnesota Housing purchases closed loans from Administrators under contract in Minnesota Housing loan programs. The Administrator must warrant that the following criteria have been met for each loan submitted for purchase.

Rehabilitation and Replacement

- All loans have been originated, processed, underwritten and closed in accordance with the requirements of this Procedural Manual;
- All local, state and federal laws and regulations including those relating to affirmative action, fair housing, equal opportunity, truth-in-lending and wrongful discrimination in residential housing have been met;
- Program property requirements have been met;
- The loan must be originated and closed in the name of the Administrator that is a party to the Participation Agreement and that has gained an Individual Commitment of funds from Minnesota Housing via the HDS SF Web Application;
- The maximum loan amount is the amount necessary to return properties to their pre-disaster condition net of proceeds offered/provided by hazard/flood insurance, FEMA and/or SBA.
 - Replacement Housing

In addition to meeting the criteria noted above, the following criteria must be satisfied when replacing an existing dwelling by purchasing another existing home or building a new home:

- All properties being replaced must be owner-occupied.
- All replacement housing is eligible for a Quick Start Loan of up to \$30,000.

4.02 Loan Amount

- Under the Red River Valley Quick Start Program, the minimum loan amount is \$1,000 and the maximum loan amount is \$30,000 per property.

4.03 Eligible Use of Funds

Loans originated under this Procedural Manual must meet the following requirements:

- Proceeds of Quick Start loans are limited to the following uses:
 - To rehabilitate owner-occupied residences;
 - To rehabilitate and return owner-occupied contract for deed residences to their pre-disaster condition;
 - To rehabilitate contract for deed residences reverted to the vender as a result of the disaster;
 - To rehabilitate 1-4 single family rental properties; or,

- To replace owner-occupied residences damaged or destroyed by the disaster with existing or newly constructed homes within the counties designated in Presidential Individual Assistance Declaration, DR-1830
- Property Improvements financed with Quick Start loans:
 - Must be permanent and meet the minimum provisions contained in the State Building Code;
 - Must assist in returning an owner's existing home to habitable condition;
 - May replace an owner's home on the site of the building destroyed as a result of the disaster;
 - Must be in compliance with all health, fire prevention, building codes and standards; and/or
 - May replace appliances that are built-in or otherwise attached as a fixture.
 - May be used to payoff credit card bills and other debt incurred for capital improvements made incident to the disaster.

4.04 Ineligible Use of Funds

- Ineligible uses of funds include, but are not limited to, the following:
- Luxury upgrades – Improvements may not include materials or fixtures of a type exceeding that customarily used in the locality for properties of the same type as the property to be improved or replaced or for improving the property beyond its pre-disaster condition.
- Payment of public improvement – loan proceeds may not be used in whole or in part to pay public improvements or assessments for public improvements;
- Landscaping improvement or repair;
- Personal Property (except any appliances that are built-in or otherwise attached as a fixture damaged in the disaster).
- Payment of existing debt – loan proceeds may not be used to pay off existing debt except for credit card and other debt incurred for capital improvements/repairs incident to the disaster.
- Rehabilitation or replacement of a property located outside the counties designated in Presidential Individual Assistance Declaration, DR-1830;
- Replacement of a duplex, triplex or fourplex;
- Replacement of a manufactured home not on a permanent foundation that is located outside a manufactured home park;
- Funding more than one Quick Start loan for the same Borrower;
- Funding a Quick Start Loan for a Borrower(s) who have received a home buyout or mitigation funded in part by Minnesota Housing;
- Funding a Quick Start loan on an alternate site within the counties designated in Presidential Individual Assistance Declaration, DR-1830 when the SBA declined to approve the change in location or use.
- Providing additional funds of up to \$30,000 for a Borrower **replacing an owner-occupied dwelling** when the underlying first lien financing is a Contract for Deed that is not fully amortizing and/or has a term of less than 10 years.
- Providing funds to finance replacement of single-family rental properties.
- Providing funds to purchase tools and/or cleaning supplies.

4.05 Security Requirements

Administrator shall secure all loans with either a mortgage or lien on title (for a manufactured home in a manufactured home park) unless prior written approval from Minnesota Housing is obtained.

4.06 Loan Term

All Quick Start loans are interest-free and non-amortizing with a 10-year forgivable term under the following conditions:

- Borrowers who owned and occupied the subject property as their primary residence immediately prior to the disaster must continue to own and occupy the subject property for 10 years following rehabilitation or replacement of the property.
- Borrowers who owned and rented the subject property prior to the disaster must continuously own and rent the subject property for 10 years following rehabilitation. However, if a rental property is sold prior to the end of the 10-year period, the purchaser may assume the loan **if there is an agreement to comply with the remaining period of rent affordability.**

4.07 Non-Complying Loans

Minnesota Housing shall have the right to take one or more of the following actions in the event an Administrator submits a loan that does not, as determined by Minnesota Housing, comply with the requirements of this Procedural Manual:

- If not already purchased, refuse to purchase the loan;
- If already purchased, require the Administrator to repurchase the loan for the purchase price;
- Terminate, suspend, or otherwise limit the Administrator's Participation Agreement with Minnesota Housing; or
- Preclude the Administrator from future participation in Minnesota Housing programs.

4.08 Repurchase of Loans

Minnesota Housing may, at its option, tender any loans to the Administrator for repurchase if:

- Any representation or warranty of the Administrator or the Borrower with respect to the loan is determined by Minnesota Housing to be materially incorrect; or
- The loan is not in compliance with any term or condition set forth in the Participation Agreement and this Procedural Manual.

Upon written notice of repurchase by Minnesota Housing, Administrator has ten (10) business days to submit payment to Minnesota Housing for the unpaid principal balance and reasonable expenses incurred by Minnesota Housing, including attorney's fees. Failure to comply with this requirement may result in the termination, suspension, or otherwise limit the Administrator's Participation Agreement with Minnesota Housing.

Chapter 5 – Commitment/Disbursement

5.01 Issuing a Conditional Commitment

Based on information provided in the application, the Administrator will issue a Conditional Commitment up to a maximum of \$30,000. The amount will be defined by the damage category and the corresponding maximum Conditional Commitment amounts as determined by the damage assessment. Conditional Commitments are valid for 180 days.

To determine the maximum Conditional Commitment amount, a damage assessment or, as applicable, a purchase/construction agreement for acquisition of a replacement home will serve as a basis to provide a conditional commitment for the Borrower. Conditional Commitments are based on estimated recovery gaps necessary to either rehabilitate or replace a home under this program.

If a property is to be rehabilitated, the gap amount is determined by any one of the following:

- The property assessment conducted by the SBA;
- An assessment conducted by another inspector; or, if neither is available,
- The applicant's damage estimate.

If the property is to be replaced, the Conditional Commitment amount is determined by the difference between the damage assessment established by any one of the means noted above and the amount specified in the purchase/construction agreement.

<i>Damage Amount</i>	<i>Conditional Commitment Amount</i>
<i>\$0.00 - \$11,000</i>	<i>\$1,000 - \$7,000</i>
<i>\$11,001 - \$22,999</i>	<i>\$7,001 - \$14,000</i>
<i>\$23,000 and above</i>	<i>\$14,001 - \$30,000</i>

The amount in the table is meant to provide an estimate of the final damage amounts. The final loan amount will be determined by the actual gap in resources realized by the Borrower and may be either below or above the amount recited in the Conditional Commitment based on funds availability.

Note: If the final gap amount is documented at the time of application, this amount should be recited in the Conditional Commitment not the amount in the table.

Administrator commits funds via the HDS SF Web Application on a first-come, first-served basis to the extent that budgeted program funds remain available.

Individual Commitments are to be considered “forward commitments” by Administrator. It is expected that the loan will be submitted to gain a Purchase Approval status via the HDS SF Web Application.

5.02 Requesting a Commitment

Once Administrator has determined that a Borrower meets the loan requirements, an Individual Commitment of funds is requested through the HDS SF Web Application.

Requests for a commitment that meets the eligibility requirements in this Procedural Manual will be authorized electronically.

Commitments are valid for 180 days from the date of the commitment unless an extension is requested by the Administrator and granted by Minnesota Housing prior to 3:00 pm on the 180th day. All commitments will be automatically cancelled at day 181.

Loans must meet eligibility requirements and gain a status of Purchase Approval via HDS SF Web Application no later than 3:00 p.m. on the 180th day.

5.03 Modifying a Commitment

- Any change to a commitment must meet eligibility requirements and be submitted via the HDS SF Web Application to qualify.
- Any qualifying commitment change will not alter the commitment period of the original commitment.
- A change of Borrower or property on the commitment will not be allowed.
- A change of the loan amount will be allowed if funds are available.

5.04 Canceling a Commitment

Minnesota Housing requires Administrator to cancel any commitment that will not be used for the specified loan.

5.05 Transfer of Individual Commitments

Administrator may not transfer commitments to another Administrator. Minnesota Housing staff may transfer a commitment under the following conditions:

- Administrator requests in writing a transfer of the commitment to different Administrator and documents the reason,
- Original Administrator must transfer and/or assign case documents to the new Administrator.

5.06 Minnesota Housing Loan Purchase/Disbursement of Funds

Minnesota Housing will purchase loans with a status of Purchase Approval by the daily cutoff time, Monday through Friday, except for State observed holidays. The disbursement of funds will be processed on the next business day.

5.07 Loan Purchase Corrections

If it is determined that an adjustment to the purchase price of any purchased loan is necessary, Minnesota Housing will either invoice Administrator for any funds to be returned or disburse additional funds to Administrator.

Chapter 6 – Documentation Requirements

6.01 Loan Processing and Closing

All loans submitted to Minnesota Housing for approval must meet the following requirements:

- Loans must be closed, and disbursed, prior to requesting Minnesota Housing loan approval via the HDS SF Web Application.
- All loan documents must be on Minnesota Housing forms, if applicable and may not be altered in any way.
- All loan documents must be complete, accurate and reviewed by the Administrator at the various and appropriate stages of the loan.
- All mortgage assignments must run directly from the Administrator to Minnesota Housing and use the Minnesota Uniform Conveyance Blank.
- All property owners must sign the Mortgage or if applicable, the Mobile Home Note and Security Agreement

6.02 Minnesota Housing Documentation/Delivery Requirements

Minnesota Housing provides the Loan Transmittal form detailing specific documentation/delivery requirements. Administrator must fully execute and deliver documents within designated timeframes. In addition, Administrator must specifically warrant that all applicable documentation has been obtained and reviewed to determine compliance with all Minnesota Housing requirements.

Documentation not delivered to Minnesota Housing/Servicer within the specified time frames, may result, at Minnesota Housing's discretion, in the Administrator being required to repurchase the loan, or any such remedy as identified in this Procedural Manual. Minnesota Housing may also, at its discretion, extend the timeframes.

6.03 Records Retention

Administrator must retain any and all documents (including compliance with Minnesota Housing program guidelines) as may be required, including, but not limited to:

- Loan Application;
- Conditional Commitment
- Written verification of current property ownership; and
- Bids, estimates and/or receipts for all improvements;
- Documentation verifying the dollar amount of proceeds from insurance companies and SBA and FEMA loans.
- Purchase/construction agreements as applicable

Chapter 7 – Servicing

7.01 Servicing

Loans under Minnesota Housing’s Quick Start will be serviced by Celink. Minnesota Housing may, at its discretion, designate other servicers.

7.02 Delivery of Loans to Servicer

Administrator must forward the loan, along with the required documentation in the prescribed order and format, to the assigned Servicer by mail within five (5) calendar days of the Minnesota Housing purchase of the loan.

7.03 Due on Sale

Within the first ten years from the date of the Note, the loan is due upon sale of or transfer of title to the property if:

- the property is no longer the Borrower’s Principal Residence; or,
- a single family rental property is sold without an agreement to comply with rent affordability for the remaining period.

7.04 Subordinations

Minnesota Housing allows subordinations only under limited circumstances and only with prior written approval. During the term of the loan, the Borrower’s ability to use any equity in the property may be severely restricted.

Appendix

[Definitions](#)

[Forms List](#)

[Process Guide](#)

Definitions

All terms used in the Procedural Manual use industry standard definitions except for the following:

Term	Definition
Accommodation Party	An owner of the property who is not a Borrower on the note, such as a non-purchasing spouse.
Administrator	A nonprofit, incorporated organization or a governmental entity with which Minnesota Housing, in its sole discretion enters into a contract agreement for local administration of the program.
Conditional Commitment	a promise by the Administering Agency to lend a specified amount of money to the Borrower once the Borrower satisfies certain express conditions and contingent upon Minnesota Housing issuing an individual commitment for the loan to the Administering Agency
Individual Commitment	A specific legal commitment of funds with specific terms and conditions for use by a specific Borrower purchasing a specific property.
Minnesota Housing Program Eligibility Income	Income used to meet the requirements of this Procedural Manual.
Principal Residence	A property used as the primary domicile of the owner-occupant Borrower and his/her household.
Rehabilitation	Necessary repairs to be completed on the Borrower's property.
Single Family Rental Property	A 1-4 family residence owned by an investor and used solely for rental purposes.

Forms List

Affidavit and Waiver of Right of Rescission
Borrower Application
Borrower Application Review Worksheet
Conditional Commitment
Loan Transmittal
Mobile Home Note and Security Agreement
Mortgage
Note
Notification of Assignment, Release or Grant of Secured Interest
Quick Start Disaster Recovery Program Certification of Rents

The contents of this guide cover a number of Minnesota Housing eligibility guidelines, but do not contain all the information necessary to originate a loan for sale to Minnesota Housing.

- Obtain a completed Minnesota Housing Quick Start Borrower Application
- Complete Borrower Application Review Worksheet indicating preliminary estimate of improvements and costs
- Explain to the Borrower the following:
 - Events of default:
 - Any form of title transfer within the first ten years from the date of the note, if the property is owner occupied; and,
 - Any form of title transfer within the first ten years from the date of the note of a single family rental property where there is no agreement in place to maintain rent affordability for the remaining term of the loan.
 - Ceasing to use an owner-occupied property as principal residence
 - Limited use of equity
 - Borrower Certifications
 - Forgiveness aspect of the loan

- Meet all above noted criteria.
- Be the Borrower's principal place of residence
- If the home being replaced has Contract for Deed financing, verify a minimum term of 10 years and no balloon payments.

- Confirm Borrower eligibility
 - FEMA/SBA application and/or insurance claim requirements (if applicable) (2.08)
 - Document that Borrower obtained a modified loan amount from SBA when repair costs exceed the original SBA loan amount.
 - Document that Borrower obtained SBA approval for a change in property location if applicable.
 - Occupancy Requirement (2.06)
 - Issue Conditional Loan Commitment to Borrower.

System:

- Select program, enter appropriate information, making adjustments as needed (from error messages), and submit to gain Commitment.
- All information except the closing date can be entered and qualified prior to "Purchase Approval" by HDS SF Web Application.

- Final property eligibility (3.01)
 - Obtain the correct legal description of the property as well as the correct names of the owners.
 - Determine the value of the property from the property tax statement
 - Determine required improvements and their cost by using any one of or combination of the following methods (4.03):
 - SBA assessment,
 - labor bids,
 - materials estimates, or
 - receipts for work/materials already purchased
 - If none of the above is available, inspection by approved inspector
 - Calculate gap to be filled by Quick Start funds and corresponding loan amount using Borrower Application Review Worksheet

Closing

- Execute required documents:
 - Note
 - Mobile Home Note and Security Agreement, if applicable
 - Mortgage
 - Assignment of Mortgage
 - Affidavit and Waiver of Right of Rescission, if applicable
 - Notification of Assignment, Release or Grant of Secured Interest, if applicable
 - Quick Start Disaster Recovery Program Certification of Rents
 - Obtain all necessary signatures

System:

- After loan is closed, retrieve Commitment and enter loan closing date, submit to gain "Purchase Approval" on the loan.
- The Purchase view will show payment details and funds will be received in two business days.

Post Closing /Delivery

- Documents Required (6.02) (See Loan Transmittal form)
- Document Delivery (See Loan Transmittal form)
- Note is endorsed to Minnesota Housing:

Without Recourse, Pay to the Order of:
Minnesota Housing
(Name of Quick Start Administrator)

By: _____
(Name and Title)

- Assignment of Mortgage is completed.
- Recording
- Real property
 - Mortgage and Assignment of Mortgage delivered to one of the following:
 - Abstract property – County Recorder’s Office
 - Torrens property – Registrar of Titles
-
- Personal Property Manufactured Homes:
 - Submit Public Safety Form 2017 (PS2017), listing Minnesota Housing as the lien holder, to the Department of Public Safety

System:

- Track submission deadlines for final documents
- Retrieve the loan record and note deadlines and required corrections.